

Iplayco Corp Ltd

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Iplayco CFO says record Q1 performance sets stage for strong fiscal 2017

Children's play structure manufacturer Iplayco Corporation (CVE:IPC) reported strong first quarter financials in the latter part of February, with sales and earnings both surging to the highest levels in company history.

The numbers represent a dramatic turnaround from the previous quarter (Q4 2016 ended September 30, 2016), when the company lost \$0.02 per share despite a 4.7% year-on-year increase in sales to \$5.48 million. The culprit was costs, as the gross margin dove 14.9 percentage points to 19.3%.

The results reported for Q1 2017 present quite a contrast: record quarterly sales of \$7.22 million and record quarterly earnings of \$959,209, working out to diluted net income per share (EPS) of \$0.05. The most important part of the statements was again the margins, as the gross margin roared back to 39.7%.

Obviously, the question is whether the good performance can be sustained. Iplayco CFO Max Liszkowski believes that, for the most part, it can.

"Last fiscal year we had challenges with cost overruns on some contracts, integration costs with our expanded Philippines operations, and pretty significant foreign exchange losses owing to Canadian dollar appreciation," explains Liszkowski. "The first quarter saw all of this turn around and right now our management team is feeling very positive about fiscal 2017."

The cost overruns came on US play facilities equipped under terms the company intends not to repeat on future orders. Meanwhile, costs related to the Philippines were one-time in nature, so they won't be a burden going forward. On the contrary, they likely have set the table on the sales and margins fronts as Iplayco makes use of the additional capacity to meet orders in markets outside North America.

"The first quarter was actually stronger than any of us had anticipated," Liszkowski says. "About two-thirds of the orders were for smaller jobs and they just built up quickly. I think we also did a good job of working inefficiencies out of the system and getting costs back to where we want them."

The company is not expecting quite as strong a performance in Q2, though Liszkowski says it should do its part to add to the full-year bottom line.

And to put the first quarter of 2017 into context, Iplayco's best year ever, fiscal 2013, saw the company book full-year EPS of \$0.12. That was before strategic partner Saudi FAS Holding Company invested just under \$9 million for a 51% stake in the company, which doubled the share count. The \$0.05 per share reported for Q1 is thus a very solid number indeed.

"We are confident the second quarter will be sound, following which we get into what is typically our strongest stretch of the year," Liszkowski says. "The pipeline looks good over the next couple of quarters. There is quite a backlog, mostly

1 Year Share Price Graph



Share Information

Code: IPC
Listing: TSX-V
Sector: Manufacturing
Website: www.iplaycoltd.com

Company Synopsis:

Iplayco custom designs, manufactures and installs premium quality, fun, safe and durable play structures for children worldwide. In its 14-year history, Iplayco has sold play structures to over 50 countries and to 16 different markets, including family entertainment centres, theme parks, shopping malls, restaurants, fitness and health clubs, municipalities, schools, daycare centres, hospitals, zoos and churches.

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of sub-\$1 million dollar contracts to begin, but then the mix should shift to the bigger deals in the latter half of the year."

Iplayco finished Q1 with net working capital of \$11.48 million. Non-current liabilities totaled just \$209,689, so its balance sheet is in fine shape. The company's share structure, with 20.87 million shares outstanding, is another positive.

Since the February 22 announcement of Q1 earnings, Iplayco shares have risen 56%, closing Wednesday at \$0.78.

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